

CENTRAL INTELLIGENCE AGENCY

25X1

SUPPLEMENT TO
REPORT NO.

THIS IS UNEVALUATED INFORMATION

25X1

- 1 -

CONFIDENTIAL

Approved For Release 2003/09/03 : CIA-RDP80-00809A000700220247-9

25X1

CONFIDENTIAL

The fact that 1952 closed with a budgetary surplus has further increased the stability of the forint. The quantity of consumers' goods available at fixed prices has increased considerably, and the monetary system is fulfilling its function satisfactorily. The velocity of circulation of money was stepped up in 1952. As a result, the increased volume of trade required a smaller amount of currency.

Every branch of Hungary's national economy received much help from the USSR in 1952, and the economic ties between the two countries are assuming increasing proportions.

The minister then cited figures [not published], indicating the growing economic depression in the capitalistic camp, due largely to the restrictions on East-West trade imposed upon the Western countries by the US.

The minister's speech continued:

The 1953 national budget is balanced, with revenues of 52,739,000,000 forints and expenditures of 51,864,000,000 forints, resulting in a surplus of 875 million forints. The revenues are derived largely from the socialized sector of the national economy. Turnover taxes, profits, and other payments due from state enterprises total 40,152,000,000 forints, or 76.1 percent of the total. The largest revenue item, amounting to 27,690,000,000 forints or 52.5 percent of total revenues, is derived from the turnover tax. Revenues from the profits of state enterprises will amount to 8,859,000,000 forints, or approximately 4 billion forints more than in 1952.

The estimate of increased revenues from profits is based on the expectation that production costs will be reduced. One of the most important prerequisites for a reduction of production costs is systematic conservation of materials and greater productivity. Productivity, in turn, demands an even pace in production, based on technological discipline. Another factor in productivity is the innovation movement, which has already produced substantial savings. During the first 6 months of 1952, economies due to innovations totaled 850 million forints. Although progress has been made in reducing costs, the enterprise managements will do well to devote greater attention to the economic and financial aspects of production -- in short, to increased profits from operations.

Next to the revenues originating in state enterprises, income from the co-operatives also shows good progress. Tax revenues are budgeted at 936 million forints for 1953, as compared with 502 million forints in 1952, on the expectation of the continued development of producers' artisans', and peasant co-operatives. Taxes paid by the general population represented 10 percent of total revenues in 1952, but are reduced to 8 percent in the 1953 budget. Revenues from the general population also include the proceeds of the Third Peace Loan, which was oversubscribed by one billion forints.

Savings deposited with the National Savings Bank represent another large revenue item. Although savings deposits increased by 27 percent in 1952, the results are not satisfactory. Demand for expensive consumers' goods, such as furniture, radio sets, and motor bicycles, is increasing. It would be advisable for the mass organizations to conduct a continuing campaign to educate the public to save money.

Budgetary expenditures of 51,864,000,000 forints in 1953 will exceed 1952 expenditures by 9,283,000,000 forints. The rise in expenditures reflects an estimated increase of 16 percent in industrial production, as well as increases in capital investments and in appropriations for cultural, social, and defense purposes. The bulk of the 1953 expenditures will serve the further development of Hungary's national economy. Appropriations for economic purposes total 31,721,000,000 forints, or 61.2 percent of total expenditures. This amount includes 19,019,000,000 forints, or 37 percent of total expenditures, devoted to the realization of a vast investment program. A large part of the investment appropriations will serve to increase the raw material supply -- the development of coal mining, metallurgy, and power production.

- 2 -

CONFIDENTIAL

25X1

CONFIDENTIAL

Building activity on the largest construction projects of the Five-Year Plan will be continued in 1953. Production will be started at the Stalin Vasmu (Stalin Ironworks), as well as at the 700-cubic-meter furnace, the two huge open-hearth furnaces, and the coking plant at Diosgyor. Rebuilding of the Diosgyori Kohaszi Muek (Diosgyor Metallurgical Works) will be continued and will result in the doubling of production in these plants. Work will also be continued on the Inota, Kazincbarcika, and Tiszalok construction projects and the Budapest subway.

According to the Five-Year Plan, Hungary's coal production is to be increased by 4,500,000 tons in 1953. To finance this task, 1,200,000,000 forints are appropriated in the 1953 budget. Through these investments, new mines will be opened and existing mines will be expanded and mechanized. Four new mines will be opened at Komlo alone in 1953.

Agricultural investments are budgeted at 2,700,000,000 forints. This appropriation will finance the purchase of agricultural machines, the irrigation of 50,000 cadastral yokes, and an increase in the supply of fertilizers to five times the prewar volume.

Appropriations for cultural purposes total 3,610,000,000 forints, that is, 747 million forints more than in 1952. The Nepstadion (People's Stadium), the largest Hungarian sports project, will be opened in 1953; however, most of the new cultural projects will be created in the province. By the end of 1953, 2,000 motion-picture theaters will be in operation and the number of public libraries, hospitals, clinics, day homes, and nursery schools will be increased considerably.

Expenditures for the building of dwellings will be increased by 50 percent in 1953, as compared with 1952. The building industry has two serious shortcomings: building projects are not completed by the target dates, and the cost of production of the industry is too high. Reduction of production costs is, therefore, one of the most important current tasks of the building industry.

Another task of national importance is the acceleration of the velocity of circulating capital. By increasing the velocity of circulation by a single day, a total capital of 200 million forints would be liberated. It is, therefore, an entirely realistic plan to attempt the liberation of one billion forints through the acceleration of capital circulation in 1953. In this respect, too, Hungary must follow the example set by the USSR. The amount appropriated for research institutes is in excess of 344 million forints. The existing research institutes will be enlarged and, in addition, the Kozponti Kemiai Kutato Intezet (Central Chemical Research Institute) and Kiserleti Orvostudomanyi Kutato Intezet (Institute for Experimental Medical Research) will be created.

Hungary will continue to devote particular attention to education. The number of secondary school pupils rose from 108,000 in 1951 to 112,000 in 1952, and the number of university students increased to 46,000 during the same period. Currently, four times as many students are enrolled in Hungarian universities and institutes of higher learning as during the Horthy regime. The proportion of students of working class or peasant origin continued to rise in all educational institutions, and scholarships have been awarded to the majority of university students. The 1953 budget provides over 300 million forints for scholarships, in addition to compensation for the loss of earnings. The Rakosi scholarship was distributed among the most outstanding university students in 1952 for the first time. Special scholarships extended to science candidates studying in Hungary and abroad serve to build up high-level scientific personnel.

In 1953, 48 million forints will be spent on the building of general schools, as compared with 36,600,000 forints in 1952; 75,300,000 forints on the building of secondary schools (10,200,000 forints in 1952); 154 million forints on universities

- 3 -

CONFIDENTIAL

25X1

CONFIDENTIAL

(98,500,000 forints in 1952); and 436,400,000 forints on the building and maintenance of workshops, homes, and schools for industrial apprentices. For sports and physical education the 1953 budget provides 23 million forints more than was appropriated for 1952.

Appropriations for public health and social welfare purposes amount to 5,907,000,000 forints for 1953. This figure represents 11.4 percent of total expenditures and is an increase of 901 million forints over 1952. Medical personnel will be increased and new hospitals will be built at Diosgyor, Sztalinvaros, and Salgotarjan. The network of clinics will be expanded; an amount 42 million forints in excess of the 1952 appropriation has been provided for this purpose for 1953. New clinics will be opened at Miskolc, Szolnok, Tatatabanya, and Ajka.

For maternity, infant, and child welfare the 1953 budget provides 204 million forints, or 74 million forints more than the appropriation for 1952. As an additional welfare measure, 120 million forints were appropriated for the recreation and vacation program.

Under the compulsion of US imperialism, the capitalist world, together with Yugoslavia, is preparing for war. For the maintenance of peace, Hungary's army and state security organs must be strengthened. For this reason, the 1953 budget provides 7,381,000,000 forints, or 14.2 percent of total expenditures, for defense purposes, as compared with 5,905,000,000 forints in 1952.

Administrative expenditures show a relative decline and amount to 2,004,000,000 forints, or 3.8 percent of the 1953 budget. The state administration does not function satisfactorily, and elimination of bureaucracy and waste will be one of the government's main tasks in 1953.

The budgets of local councils form a considerable part of the national budget and total 4,772,000,000 forints, as against 3,906,000,000 forints in 1952. The increase is due largely to cultural and social projects, for which 500 million forints more were appropriated for 1953 than for 1952.

Revenues in 1953 are estimated at 875 million forints in excess of those for 1952. Successful implementation of the budget requires strict enforcement of economy measures in all branches of the national economy. To fulfill this task, the enterprise managers, as well as all workers, must devote much more attention to financial questions and the reduction of production costs.

Report of the Deputy Minister of Finance

After the budget speech of the Minister of Finance, Istvan Antos, Deputy Minister of Finance, gave the following report.

To counteract the unfavorable crop results of the current year, economic tasks and resources must be centralized and economy must be enforced in all fields.

Appropriations for heavy industry total 11,400,000,000 forints, the bulk of which is earmarked for investments. Other appropriations are: 2,460,000,000 forints for the Ministry of Metallurgy and Machine Industry, 2,450,000,000 forints for the Ministry of Mining and Power, 1,600,000,000 forints for the Ministry of Chemical Industry, and 630 million forints for the Ministry of Building Materials Industry. These figures show that in 1953 huge sums will be devoted to the expansion of Hungarian coal mining, metallurgy, and power, and of petroleum, alumina, aluminum, and cement production. Approximately 9.3 percent of total investments have been earmarked for the development of the machine industry. A number of important factories will be placed in operation, including the Debreceni Gordulocsapagygyar (Debrecen Roller Bearing Factory) and the Soroksari Vasontode (Soroksar Iron Foundry). Large amounts have also been appropriated for the expansion and modernization of the Ganz Vagon-es Gepgyar (Ganz Railroad Car

- 4 -

CONFIDENTIAL

25X1

CONFIDENTIAL

and Machine Factory), MAVAG (Magyar Allami Vas-, Acél- és Gépgyár, Hungarian State Iron, Steel, and Machine Factory), Beloiannisz Gyar (Factory), Gheorghiu Dej Hajogyar (Shipyards), Gyori Vagongyar (Gyor Railroad Car Factory), etc. Largely as a result of these investments, production of the machine industry will be increased by 30 percent in 1953.

In the field of agriculture, 2,200,000,000 forints are budgeted for investments in the agricultural machine stations and state farms and forests. In addition, long- and medium-term loans totaling 1,100,000,000 forints will be extended to producers' cooperatives for investment purposes. The agricultural machine park of the state farms will be increased to an extent where 95 percent of the harvesting and 88 percent of the cultivating work will be performed by machine power on the state farms. The socialization of agriculture has created a great demand for trained personnel. To meet this demand, the Ministry of Agriculture and the Ministry of State Farms and Forests have appropriated 300 million forints for agricultural education.

In view of the planned increases in industrial and agricultural production, the transportation system will be called upon to perform greater tasks. For this reason, appropriations for railroad investment purposes are 60 percent above those for 1952, and highway traffic, as well as the network of agricultural narrow-gauge railroads, will be expanded considerably.

To raise the general standard of living, the 1953 budget provides over 150 million forints for investments under the jurisdiction of the Ministries of Light Industry, Food Industry, and Produce Collection, and 200 million forints for the expansion of the network of retail outlets, for the improvement and control of quality, and for research institutes operating under the Ministry of Domestic Commerce. It is estimated that the turnover of the state retail stores will increase by 13.5 percent and that of the cooperative stores by 12 percent in 1953.

Appropriations for education, the development of the sciences, and miscellaneous cultural institutions total approximately 3,600,000,000 forints, as against 2,863,000,000 forints for 1952. The 1953 appropriations include 150 million forints for general schools, 144 million forints for secondary schools, and 137 million forints for institutes of higher learning. Approximately 92 percent of the appropriations for general schools and 58 percent of those for secondary schools appear in the budgets of the local councils. Specialization is stressed both in the secondary schools and in the institutes of higher learning. The appropriations for education also include 361 million forints for adult education. The total amount of 3,600,000,000 forints devoted to cultural purposes consists of two main items, 3 billion forints for school education and 600 million forints for popular education [propaganda?].

The bulk of the revenues in 1953 will continue to come out of the socialized sector. Turnover taxes, profits, and other payments to be received from the state enterprises will total some 40,100,000,000 forints, while revenues from the cooperatives are budgeted at 936 million forints. Among the revenue items originating in the state enterprises, the greatest increase will be shown in the payment of profits, which will be 83 percent above the corresponding 1952 figure. This favorable development is largely a result of cost reduction.

The budget system of local councils is coordinated with the national budget. The expenditures of the councils are balanced in part by local revenues and in part by appropriations from the national taxes collected by the councils. Thus, tax revenues from the general population appear largely in the budgets of the local councils. This system provides a powerful incentive to the councils to do their utmost to collect the income tax.

- 5 -

CONFIDENTIAL

25X1

CONFIDENTIAL

The savings of the population also play an important part in assuring a balanced budget. The proceeds of the third Peace Loan, together with savings deposits, represent 2,100,000,000 forints in revenue in the 1953 budget.

Address of the President of the National Assembly

The next address, devoted largely to the further development and mechanization of agriculture, was delivered by Imre Dogei, President of the Hungarian National Assembly.

Dogei reported that, at present, the machine park of the agricultural machine stations includes over 9,450 tractors and 180 harvesting combines be continued: Approximately 82 percent of the crop on the state farms and 43 percent of that on the producers' cooperatives were harvested by machine power in 1952. As a result of the unfavorable weather during the 1952 growing season, the advantages of large-scale farming on the producers' cooperatives over the operations of independent peasants on small plots of land became even more evident. Crop results were above the average on all state farms and producers' cooperatives which employed Soviet agrotechnical methods.

In analyzing the budget figures, Dogei called attention to the fact that 74 million forints were appropriated for churches and religious sects. He mentioned that appropriations for the expenditures of the Council of Ministers are budgeted at 36,400,000 forints. Dogei then gave data on the 1953 budgets of the National Wages Commission and the National Manpower Commission. [No figures given.]

Comparison Between Hungarian and US Budgets

Erno Mihalyfi, Deputy Minister of Culture, compared Hungary's 1953 budget with the 1952 - 1953 budget of the US as follows: The American budget totals 85,500,000,000 dollars. If indirect military expenditures are added to the direct expenditures for defense, 93 percent of total expenditures are devoted to preparations for war in the US. In short, the current American budget indicates an increase in the militarization of the national economy and in the profits of the monopolies engaged in the production of war materials. In contrast thereto, the Hungarian budget is based on human values. The current budget, for example, provides 2,500,000,000 forints for infant and maternity care, schools, and recreation for children, and 11,800,000 forints for the support of the fine arts.

Speeches on Foreign Policy

Ferenc Keleti addressed the National Assembly on the foreign policy of the Hungarian government. According to Keleti, the aims of Hungary's foreign policy are loyalty to the USSR, friendship with other peoples, and the defense of peace and Hungary's independence. He stressed that Hungarian foreign policy is based on Stalin's peace policy, and that, although the enemy has attempted to drive a wedge between Hungary and the Soviet people, Hungary will never deviate from its alliance with the USSR. He added that the tragic example of the Yugoslav people proves that outside the peace camp only servitude and exploitation by the American capitalists exist.

Jeno Katona spoke of the Vienna Peace Congress, terming it the culmination of the greatest popular movement of history. Turning to the war in Korea, Katona said that the attack of the Anglo-American bloc represented a change from preparation for war to open hostilities.

- 6 -

CONFIDENTIAL

25X1

CONFIDENTIAL

Georgy Parragi, speaking next, described Yugoslavia and Austria as the two most important deployment areas of American imperialism against Hungary. He said that the hatred felt by the Hungarian people is increasing by leaps and bounds in view of the activities of the imperialists and Titoists in organizing attempts against Hungarian peaceful construction work. [No figures were published on the budget of the Ministry of Foreign Affairs.]

Ministry of the Interior

In connection with the budget of the Ministry of the Interior, Kalman Pongracz, President of the Executive Committee of the Budapest City Council, spoke of the work of the local councils. He pointed out that workers are taking an increasing share in local council activities and mentioned that last September, 15,344 local committees with a membership of over 200,000 were in existence. He added that the number of enterprises operating under the local councils also has increased.

Pongracz then spoke of the Hungarian police which, he said, guarantees the safety of the workers. He continued as follows:

While criminality in the capitalistic countries is increasing at an unprecedented rate, the number of criminal acts in the People's Democracies has diminished. The majority of criminals are members of the former ruling classes, including generals, the sons of former high ministerial officials, etc. Large numbers of these enemies of the Hungarian people are being unmasked by the police. Traffic police work also showed gratifying progress. Although traffic in 1952 increased by 20 percent over 1951, the number of accidents diminished.

Pongracz also reported that the budget provides 87 million forints for the development of the fire department, including procurement of fire trucks, pumps, and other equipment.

In conclusion, Pongracz introduced an amendment providing for an increase of 13 million forints in the appropriations for children's homes and day homes.

The Defense Budget

The budget of the Ministry of Defense was discussed by Istvan Kristof, Executive Secretary of the National Council of Trade Unions. Kristof said that, in view of the war preparations of the imperialists, failure to create a well-equipped and patriotic army would be criminal. He stated that the defense budget is proportionate to the appropriations provided for economic, social, and cultural purposes. [No figures given.]

Ministry of Public Health

Istvan Reok discussed the budget of the Ministry of Public Health. According to Reok, the recent resolutions of the Council of Ministers on temporary disability pensions, district medical service, and industrial accident prevention represent real progress. Public health has improved considerably since liberation, and both adult and infant mortality has diminished. Currently, 8,000-10,000 fewer infants die per year than under the Horthy regime. In 1953, clinic hours are to be increased by 40 percent and the dental service is to be expanded. The new 300-bed Orszagos Onkologiai Intezet (National Institute of Oncology) is to be opened on 1 January 1953. [No budgetary figures given.]

Ministry of Mining and Power

The budget of the Ministry of Mining and Power was discussed by Imre Pardi, who said that appropriations for investments in coal mining total 1,233,000,000 forints. [The preceding statement appeared in Mepiszava. The report of Magyar Nemzet on this subject reads as follows: "Pardi pointed out that the ministry

- 7 -

CONFIDENTIAL

25X1

CONFIDENTIAL

has appropriated 4,508,000,000 forints for investments in 1953, as compared with 3,153,000,000 forints in 1952. The 1953 total includes 3,293,000,000 forints appropriated for the creation and development of industries engaged in the production of basic raw materials."/

Pardi's report continued: This total includes 500 million forints for the development of the Komlo mines, which are to supply the Sztalin Vasmu with coal. Appropriations for the manufacture of mining machinery are 27.1 percent greater for 1953 than for 1952. As a result of this investment program, 65 percent of the underground transportation will be mechanized and 19 percent, or 4,500,000 tons, of the coal mined will be loaded mechanically. In 1953, nearly one million tons of coal will be mined mechanically, that is, 2½ times as much as in 1952. The budget also provides a considerable sum for technical training. Currently, there are 65 secondary technical schools in Hungary, as compared with 10 to 12 prior to liberation.

Pardi stated that the 1953 budget provides 499 million forints for the development of oil production. Two new oil fields are to be opened, and oil production is to be increased by 23 percent in 1953.

He continued: Power production is to be increased by 17.6 percent in 1953, bringing it to 211.7 percent of 1938 production. The budget provides 24 million forints for the electrification of villages and 334 million forints for the development of the nonferrous metals industry. Bauxite production will be increased by 17 percent and aluminum production by 51 percent in 1953. Production in the chemical industry increased by 31.4 percent in the first 10 months of 1952. During 1953, a coking and nitrate-producing plant will be completed in Borsod Megye [Kazincbarcika?]. Building of a new chemical combine will also be started next year.

Pardi also reported that 518 million forints have been appropriated for construction of dwellings and city development and that modern new cities are to be built at Komlo, Varpalota, and Barcika. He said that appropriations for workers' welfare, accident prevention, and social investments total 40,750,000 forints.

Ministries of Building and Building Materials Industry

The budgets of the Ministries of Building and Building Materials Industry were discussed by Ferenc Reszegi as follows:

The manufacture of excavators and cranes was begun on a large scale in 1952 and progress was made in the mechanization of manual labor processes. Several difficulties were, however, encountered, the most important being a lack of cooperation between the building and building materials industries. Production increased in both industries in 1952, as compared with 1951. However, while the building industry fulfilled its annual plan for 1952, several large building projects were not completed on time. The building materials industry also fulfilled its annual plan; here, too, however, numerous possibilities for better production results remained unexploited, especially in the utilization of machinery. Production in 1953 is to be stepped up by 16 percent in the building industry and by 12.2 percent in the building materials industry.

The work contest movement made progress in both industries in 1952. However, it still lacks adequate organization and in many cases is merely window dressing. Good progress was shown by the Stakhanovite movement. Currently, 8.9 percent of the workers employed in the building industry and 9-10 percent of those in the building materials industry are Stakhanovites.

- 8 -

CONFIDENTIAL

25X1

CONFIDENTIALMinistry of Metallurgy and Machine Industry

Jozsef Mekis discussed the budget of the Ministry of Metallurgy and Machine Industry. He paid tribute to Premier Stalin and the USSR for the unselfish aid extended to Hungarian heavy industry.

He then continued as follows:

Total production of the industries operating under the jurisdiction of the ministry increased by 30 percent in the first 11 months of 1952, as compared with the corresponding period of 1951, while completed production during the same period increased by 34 percent. These two figures indicate that metallurgy and the machine industry made greater advances than Hungarian industry as a whole. The 1953 plan calls for further increases of 24 percent in total production and 23.8 percent in completed production in metallurgy and the machine industries.

In 1952, the productivity of labor increased by 18.2 percent in terms of the value of products per capita, and a further increase of 13 percent must be attained in 1953. During 1952, the number of workers employed in metallurgy and the machine industries increased by 24,000.

Mekis then gave a detailed analysis of the plan fulfillment of the industries under the jurisdiction of the ministry. He also discussed existing defects, which included uneven flow of work and month-end speed-up. He said that, if these defects are corrected, the 1953 plans can be fulfilled, that is, production can be increased by 44.3 percent in pig iron, 18.5 percent in open-hearth steel, and 28 percent in electrosteel, as compared with 1952. He stated that an independent Ministry of Metallurgy will be created next year in view of the fact that metallurgy now represents one of the biggest Hungarian industries.

Mekis continued: In the machine industry, increases during the first 11 months of 1952, as compared with the corresponding period of 1951, amounted to 45.1 percent in completed production and 46.1 percent in total production. Particularly good progress was made in the production of agricultural machines. During the first 10 months of the year, deliveries of disk cultivators increased by 19 percent and of harvester combines by 450 percent, as compared with the corresponding period of 1951. During 1953, harvester combine production will be stepped up by 268.5 percent, as compared with 1952. The ministry economized 100 million forints in investments during the current year. Good results were achieved in the use of substitutes for nonferrous metals, and in the first 9 months of 1952 production costs were reduced by 7.5 percent.

Mekis stated that, under current plans, machine exports will be stepped up; the machine industry is expected to fill the gap in Hungarian exports which resulted from the poor harvest. He added that, in response to Erno Gero's speech before the Central Committee of the Hungarian Workers Party [on 30 November 1952], workers have pledged to effect a reduction of 100 million forints in the combined working capital of the industries under the jurisdiction of the ministry.

In conclusion, Mekis submitted an amendment increasing appropriations for labor protection by 15 million forints.

Ministry of Justice

The budget of the Ministry of Justice was discussed by Istvan Kadas, Secretary General of the DISZ (Dolgozo Ifjak Szovetsege, Federation of Working Youth). Kadas extolled the administration of justice as practiced under socialism in contrast to the practice in the capitalistic countries, where the profit motive, war

- 9 -

CONFIDENTIAL

25X1

CONFIDENTIAL

propaganda, and aggression inevitably lead to demoralization and violence. He said that in all capitalistic countries the courts of justice serve the interests of capitalists and oppress the workers and that the same situation prevails in Yugoslavia. Kadas asserted that, in contrast to the capitalistic countries and Yugoslavia, the Hungarian National Assembly has enacted laws defending peace, outlawing war propaganda, and creating a happy future for the people.

Aladar Halasz spoke of the institution of lay judges, who are elected by popular vote and participate in the administration of justice on an equal basis with the professional judges.

The next speaker was Minister of Justice Gyula Decsi, who said that the administration of justice in Hungary was improved and democratized in 1952. He termed the laws enacted during the year, particularly the law on marriage, the family, and guardianship, proofs of this trend. He mentioned that the new criminal code became effective on 1 January 1952 and that, beginning with January 1953, 10,000 lay judges will participate in the administration of justice under both the criminal and civil codes.

The minister then denounced the administration of justice in the capitalistic countries. He spoke as follows: In the US, the persecution of Communists and progressive citizens is increasing, and the US, together with the Tito gang, continues to send spies and saboteurs into Hungary. These agents and murderers are caught by the State Security Authority, and the Hungarian courts must deal with them with great severity. In contrast to the US and Yugoslavia, the Hungarian administration of justice, based on the Soviet model, is of the highest order. [No budget figures given.]

Ministry of State Farms and Forests

The budget of the Ministry of State Farms and Forests was discussed by Jozsef Seregelyi. According to Seregelyi, in the single year of its existence the ministry achieved good results in the development of state farms, improved the livestock, and introduced organized plant cultivation. He continued: Approximately 93 percent of the arable land operated by the state farms is composed of large tracts, on which Soviet methods can be used to advantage. Currently, the state farms are mechanized to a greater degree than were the best estates under the Horthy regime. Due to the generosity of the USSR, large numbers of combines and Zetor tractors were introduced in Hungary.

Seregelyi then dealt with the operating results of the state farms in detail: By the end of 1952, 230 state farms were electrified. The afforestation plan was fulfilled 83 percent and the timber exploitation plan 86 percent by 1 December 1952. The 1953 afforestation plan provides for an increase of 86.5 percent over the 1952 plan.

The next speaker, Laszlo Nanasi, Secretary-General of the National Federation of Cooperatives, also paid tribute to the USSR for the help which it had extended to Hungarian agriculture. Nanasi pointed out that, while cotton was introduced in Hungary from the USSR only 3 years ago, in 1952 the area planted in cotton was ten times larger than in 1950, and average 1952 cotton crops in Hungary were greater than in Turkey and Syria. He added that rice was produced on 35,000 cadastral yokes in 1952.

Ministries of Light Industry and Local Industry

Sandor Seprenyi discussed the budgets of the Ministries of Light Industry and Local Industry.

First taking up the Ministry of Light Industry, Seprenyi spoke as follows: During the coming year the main task of light industry will be to eliminate existing shortcomings in quality, especially in shoe, knit goods, and cloth manufacture. Other tasks are greater economy, better utilization of the machinery, increased productivity, and reduction of costs. For research institutes serving the light industry, 12,300,000 forints were appropriated for 1953.

- 10 -

CONFIDENTIAL

25X1

CONFIDENTIAL

In the textile industry, the countrywide speed-up movement has resulted in production increases of 10-15 percent in some of the large mills. During 1953, several new textile mills will be completed, including the Kaposvari Fonoda (Kaposvar Spinnery), which will be the most modern spinning mill in Central Europe; a cotton-processing plant at Szekszard; and the straw cellulose factory at Szolnok.

Following the Soviet model, the light industries will be required to prepare production master plans in 1953. These plans will contain a breakdown of work methods, machine operations and maintenance, and manual operations. In the field of professional education, 18 secondary technical schools are engaged in training supervisory personnel for the light industries. For the building of workers' dwellings, 104 million forints were appropriated in the budget of the Ministry of Light Industry.

Turning to the budget of the Ministry of Local Industry, Seprenyi said that production was increased by 215 percent in the state enterprises and by 68 percent in the artisans' cooperatives operating under the jurisdiction of the ministry. He continued: Plans call for a production increase of 30 percent by the state enterprises and 33 percent by the cooperatives in 1953. However, the main task will be improvement of quality. Appropriations for investments in the local industries total 141 million forints.

Ministry of Food Industry

The budget of the Ministry of Food Industry was discussed by Miss Margit Dekany as follows:

As compared with 1949, the production of the Hungarian food industry increased by 39.7 percent in 1950 and 87.1 percent in 1952 and will be stepped up by 106 percent in 1953. While in the capitalistic countries the standard of living is declining, the demand of Hungarian workers is supplied abundantly by the food industry. The meat-processing industry, for example, increased its production in 1952 by 17.4 percent, as compared with 1951, and this ratio will be further increased to 31.8 percent in 1953. [No budget figures given.]

Ministry of Domestic Commerce

In discussing the budget of the Ministry of Domestic Commerce, Mrs Jozsef Csikesz stated that, despite the crop failure, the turnover in consumers' goods increased by 10 percent in 1952 over 1951. Retail trade in 1953 is to exceed 1952 figures by 13.2 percent in the state stores and 8.1 percent in the cooperatives.

The improvement in the standard of living, Mrs Csikesz said, may be measured by the fact that in 1952 per-capita consumption of bread increased by 7.9 percent; of flour, by 31.8 percent; meat, 4.6; fat, 46; and sugar, 24.5. Mrs Csikesz added that these increases included a certain amount of stockpiling and, therefore, should not be regarded as accurate measurements.

Discussing distribution, she said that, in general, it functioned smoothly and there were no serious difficulties in the supply of consumers' goods. However, she stated despite adequate quantities, serious shortcomings exist, particularly in the quality and variety of the available goods. She mentioned as other shortcomings of distribution the facts that food stocks are handled improperly in the state stores, that speculators are accumulating large stocks, and that, here and there, distribution is still unsatisfactory.

Following the Soviet pattern, Mrs Csikesz continued, the system of shop restaurants was expanded in 1952, but in the public restaurants there is still much room for improvement: the monotony of menus must be improved and the kitchens and dining rooms must be cleaned.

- 11 -

CONFIDENTIAL

25X1

CONFIDENTIAL

She stated that 4,000 new retail outlets were opened in 1952, and that, as a result, retail trade is almost entirely in the hands of the socialized sector. In 1953, she added, the rebuilding of the Gellert Hotel will be started and a new network of retail outlets will be placed in operation to serve the new residential developments and building projects.

Daniel Nagy, speaking next, stated that during the first 11 months of 1952, cooperative sales increased by 13 percent, as compared with the corresponding period of 1951. Nagy then described the Socialistic purchase system which was introduced in Hungary in 1952. Under this system, purchases may be made by a single agency for the entire peasant population of a whole megye.

In 1953, he said, approximately 71.4 percent of exports will consist of industrial products, and machine exports will be 81.5 percent greater than in 1952.

Ministry of Foreign Trade

Andras Horvath analyzed the budget of the Ministry of Foreign Trade, as follows:

In 1952, Hungary's imports increased by 57.2 percent and exports by 67 percent, as compared with 1951. During the coming year the proportion of exports of manufactured products in total exports will be increased to 71.4 percent, as compared with 62.8 percent in 1950. Heavy industrial products represent an increasing proportion in the total volume of industrial exports.

Hungary's trade with the USSR increased by 82.9 percent in 1952. Trade with other People's Democracies also showed substantial increases. The main task of the foreign trade agencies remains the further expansion of Hungary's trade with the USSR and other friendly countries. In regard to the capitalistic countries, Hungary's foreign trade is increasing with the Near, Middle, and Far East, as well as with South America, despite the efforts of the American and British aggressors to handicap economic relations between the Soviet bloc and the capitalistic countries. [No budget figures given.]

Ministries of Education and Higher Education

Gabor Kerek gave the following information on education and the budgets of the Ministries of Education and Higher Education.

Currently, 1,205,000 children are registered in the general schools. The number of secondary school teachers increased by 2,448 in 1952. The number of secondary school pupils increased by 11,543 over 1951, and recently several new secondary schools were opened, raising the total to 425, as compared with 285 in 1937 - 1938. The number of university students increased by 8,000 in 1952. At present, Hungarian children are educated not only in general subjects, but also in patriotism and loyalty to the USSR.

The 1953 budget provides 1,978,000,000 forints for education. Recently, the Ministry of Higher Education was created, following the example of the USSR. Hundreds of new schools and nursery schools will be opened in 1953, and the number of students particularly in the secondary technical schools, will be increased considerably.

Ministry of Postal Affairs

Rezso Basta discussed the budget of the Ministry of Postal Affairs and said that the ministry is endeavoring to improve postal service, particularly in the most backward rural areas. He reported that telephones have been introduced in over 7,000 villages, farms, and machine stations since 1949, and an additional 400 villages are to be given telephone service in 1953.

- 12 -

CONFIDENTIAL

25X1

CONFIDENTIAL

Basta continued as follows:

A huge increase took place in the newspaper delivery service in 1952, and special newspaper trains were introduced. Currently, over 500 million copies of newspapers per year are handled by the postal service.

The development of wired radio is indicated by the fact that subscribers now number 100,000, as compared with 45,000 in 1951. It is planned to add 120,000 new subscribers in 1953.

Economies resulting from innovations in the postal service amount to 11,800,000 forints per year /1952?/. The material conservation movement produced additional savings of 7,822,000 forints in 1952. A new telephone exchange at Sztalinvaros serving 1,500 subscribers is already in operation. The 1953 budget provides substantial appropriations for the development of telephone service in the new cities, including Sztalinvaros and Komlo.

During the coming year, the most modern automatic telephone exchange serving 4,000 subscribers will be placed in operation in Miskolc, and the third radio relay station, operating on 13 kilowatts, will be built. The new station is designed to improve reception of broadcasts by the Kossuth Radio in the western and southern megyek of Transdanubia. In 1953, preparatory work will also be done with the help of the USSR for the introduction of television in Hungary.

Ministry of Produce Collection

The budget of the Ministry of Produce Collection was discussed by Ivan Darabos, who described difficulties encountered by the ministry in fulfilling its task in 1952 as follows: Spring frost and summer drought resulted in poor crops, although most megyek succeeded in fulfilling, and even exceeding, their grain delivery obligations. The kulaks did all in their power to block plan fulfillment. After the enemy had learned that the fulfillment of the grain collection plan could not be handicapped, he resorted to the old method of accumulating large bread and flour stocks. However, these attempts, too, were overcome by the party and the government, and the orderly distribution of plentiful supplies to the workers was assured. Despite the drought, the independent peasants completed their grain deliveries, and are fulfilling their corn delivery obligations, at an earlier date this year than in 1951. So far, over 100,000 independent peasants have fulfilled their delivery obligations 110 percent.

Jozsef Czeh said that the work contest movement has assumed large proportions both on the producers' cooperatives and among the independent peasants and was largely responsible for the satisfactory results in the fulfillment of delivery obligations.

The next speaker was Minister of Produce Collection Jozsef Tisza, who stated that at the end of November 1952 the independent peasants had fulfilled their delivery obligations 99 percent in wheat, 104.3 percent in bread grains, and 89.6 percent in corn. He said that the majority of independent peasants also fulfilled their delivery obligations in hogs and slaughter cattle, but that the best performance in the fulfillment of delivery obligations was achieved by the leading producers' cooperatives.

The minister then described the defects of the 1952 collection system [not further discussed], which are to be eliminated in 1953. He continued: the immediate problem of the ministry is the enforcement of the collection plan in several megyek, including Bacs-Kiskun and Csongrad, where serious difficulties exist. The government has reduced the delivery obligations in fall crops; as a result, there will be no excuse for the nonfulfillment of quotas. [No budget figures given.]

- 13 -

CONFIDENTIAL

25X1

CONFIDENTIALMinistry of Finance

In connection with the budget of the Ministry of Finance, Ferenc Nezeval made the following statements:

Taxes and profits from the enterprises operating under the jurisdiction of the ministry will amount to 906,200,000 forints in 1953. The volume of sales of the artisans' and peasants' cooperatives is increasing considerably. As a result, estimates of revenues from this source were stepped up by 400 million forints, as compared with 1952. Tax revenue from the cooperatives and social organizations is budgeted at 936,200,000 forints. Taxes payable by the general population in 1953 will total 4,220,000,000 forints, or 77 million forints less than in 1952.

Government bond issues, including the third Peace Loan, have reached a total of 5 billion forints. Nine drawings carried out during the last 3 years resulted in the repayment of 482,445,300 forints, and in the course of 1953 a total of 477,290,000 forints will be repaid by seven drawings. Savings deposits increased by 27 percent in 1952. However, many workers are still hoarding cash and must be re-educated.

The budget provides 1,373,000,000 forints for the development of producers', peasant, and artisans' cooperatives, and 225,800,000 forints for the building of peasants' and miners' dwellings and for rural electrification. Provision has also been made in the budget for the development of the various social institutions operated by the local councils. [No figures given.]

Minister of Finance Karoly Olt then recommended supplementary appropriations totaling 4 million forints for infant care and hospital extensions.

The minister added that, despite the good results achieved, there are still numerous defects: Accounting discipline must be tightened, especially in the building industry, the cooperatives, agriculture, and commerce. Moreover, many enterprises still fail to enforce economy.

Ministry of Transportation

In discussing the budget of the Ministry of Transportation, Sandor Gaspar said that the Hungarian railroads attained record performance in 1952. Freight traffic increased by 15 percent and passenger traffic by 9 percent, while operating costs were reduced by 4.1 percent, as compared with 1951.

Gaspar then discussed the 1953 plans and appropriations for railroads and other means of transport, as follows:

The 1953 budget provides 1,300,000,000 forints for the railroads. It is estimated that railroad traffic in 1953 will increase by 11.7 percent, while operating costs will be reduced by 4 percent, as against 1952.

In inland navigation, freight traffic is expected to increase by 5.7 percent in 1953, as compared with 1952. The budget provides a substantial sum for increasing the number of river vessels which will serve Sztalinvaros, for expanding the Budapest free port, and for building a 2,000-ton seagoing ship.

In view of the expected growth in traffic, appropriations for investments in transportation are 31 percent higher than the corresponding figure for 1952. The investments include bridge building, expansion of railroad stations, track laying, electrification, and procurement of rolling stock, including 110 passenger cars.

Complaints are very numerous about the delayed arrival of trains, especially in the winter months; the Hungarian State Railroads must reduce these delays to a minimum.

- 14 -

CONFIDENTIAL

25X1

CONFIDENTIAL

Truck transportation increased by 63 percent in 1952, as compared with 1950, and in 1953 the increase will reach 71 percent of 1950. The main task of the highway bus traffic is to serve commuting miners and other workers. The mileage covered by buses transporting workers will increase by 41 percent in 1953.

Approximately 50 percent of the 1953 investments of the ministry are appropriated for the building of the Budapest subway. The remaining wreckage of the Budapest Erzsebet Bridge will be salvaged, and the ministry is preparing plans for the reconstruction of this bridge.

Gaspar then stated that the budget also provides 60 million forints for additional working capital of the enterprises of the ministry, but that workers have pledged to economize 50 percent of this item. Accordingly, he recommended a reduction of 30 million forints in the appropriation for working capital of the transportation enterprises.

Ministry of Agriculture

Speaking on the budget of the Ministry of Agriculture, Gergely Boros discussed especially the problems of the machine stations and producers' cooperatives. During the first 9 months of 1952, he stated, the machine stations performed 32.6 percent more tractor work than in the corresponding period of 1951. As a result of the provisions of the budget not stated, he continued, the number of combines is to be increased by 200 percent, cultivators 31.7 percent, and reapers 32.4 percent.

Boros reported that, by employing Soviet methods, Hungarian producers' cooperatives achieved good results despite the drought. For example, the Szabad Elet (Free Life) producers' cooperative harvested an average of 14 quintals of wheat per cadastral yoke, while the independent peasants in the same village had an average of only 7.5 quintals. The Lenin producers' cooperative had an average of 21.3 quintals of fall barley; the Gyozelem (Victory), 17 quintals of oats; and the Voroshilov, over 100 quintals of potatoes per cadastral yoke.

Boros added, however, that work discipline must be tightened on the producers' cooperatives.

He declared that Hungary has reached that phase of the class struggle where the conflict is sharpest in the village.

Jozsef Nagyistok, speaking next, warned the producers' cooperatives, as well as the independent peasants, to rely on their own work instead of looking to the government for help. He stated that the ministry will make twice as much improved seed available in 1953 as in 1952.

Ministry of Culture

The budget of the Ministry of Culture was discussed by Bela Szalai. He called attention to Stalin's "Economic Problems of Socialism in the USSR," which explains the importance of ideological and cultural work during the formative period of socialism. The figures of the budget of the ministry, Szalai stated, speak for themselves: Appropriations for cultural investments total 131 million forints, which include the cost of a new building for the Magyar Tavislati Iroda (Hungarian Telegraph Agency) and a round film factory. For cultural purposes the budget provides 223 million forints, in addition to 76,500,000 forints appropriated for the cultural activities of the mass organizations.

Miss Jelan Majlat spoke of the progress which Hungary has achieved in literature, the theater, music, and the fine arts. She asserted that artistic products must serve the fight for socialism and peace, but that results so far have been disappointing. As another cultural task she mentioned deeper understanding and better interpretation of the masterpieces of Soviet artists.

- 15 -

CONFIDENTIAL

25X1

CONFIDENTIAL

Supplementary Appropriations

Finance Minister Karoly Olt declared that he approved all supplementary recommendations submitted in the course of the budget debate. Deputy Finance Minister Istvan Antos then announced that the Economic and Finance Committee of the National Assembly had examined the supplementary recommendations and recommended their enactment.

Accordingly, appropriations were reduced by 100 million forints for the working capital of the Ministry of Metallurgy and Machine Industry and by 30 million forints for the working capital of the Ministry of Transportation. Appropriations were increased by 15 million forints for labor protection; 1,500,000 forints for infant care; 3 million forints for children's homes; 10 million forints for day homes; and 3 million forints for hospitals.

To sum up, expenditures were reduced by 130 million forints and increased by 32,520,000 forints. The balance of 97,480,000 forints will be added to the reserve fund at the disposal of the Council of Ministers. As a result, the totals of the budget as originally submitted will not be changed by the amendments.

The 1953 national budget, together with the modifications recommended by the Economic and Finance Committee, was then passed by the National Assembly on 20 December 1952.

- E N D -

- 16 -

CONFIDENTIAL